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APPLIANCES '87: Dealers' Choice

BUSINESS IDEAS FOR TODAY'S RETAILERS AND DISTRIBUTORS

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1987's Comeback Products WILL THEY FLY AGAIN?

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Business Ideas for Today's Retailers and Distributors

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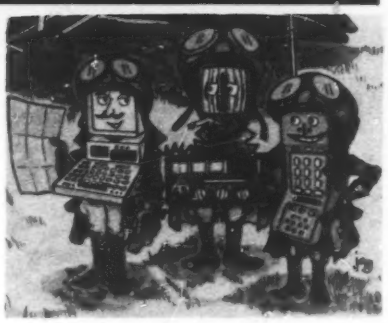
1987's comeback products: Will they fly again?



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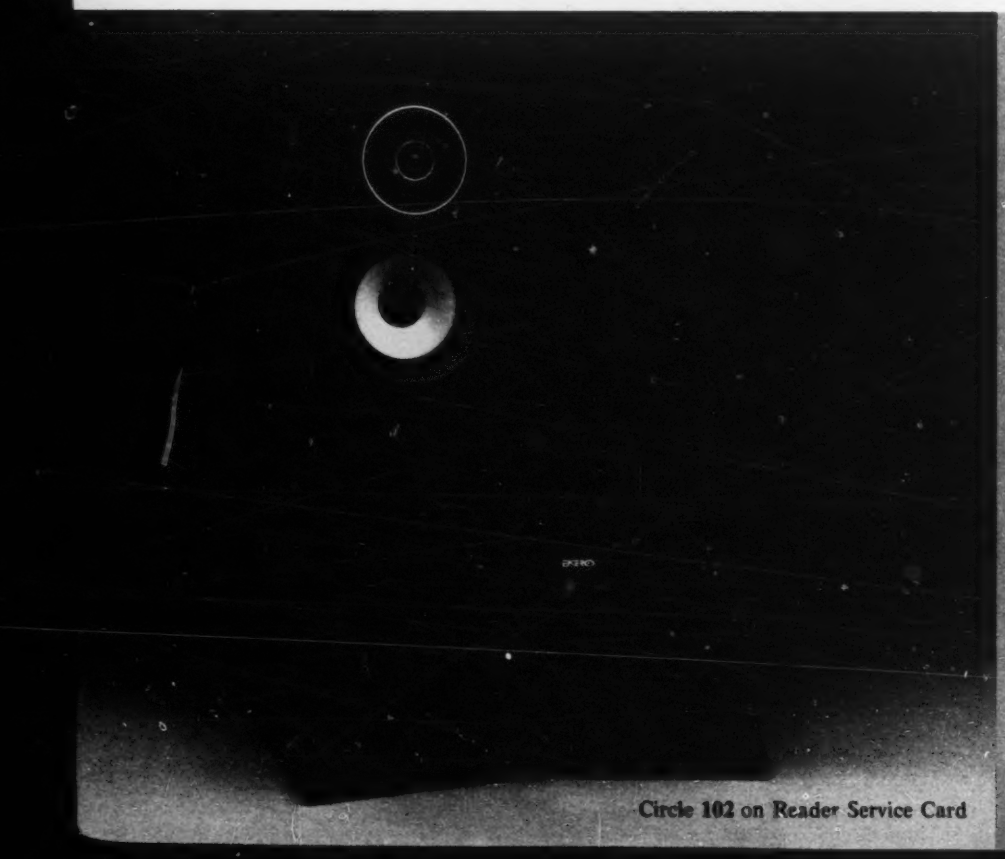

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Playing wait and see with facsimile

Facsimile, particularly in combination with a telephone, is supposed to be the next winner in the home office — and it may well be, but it won't happen tomorrow and maybe never in astounding numbers.

Does that mean you should wait on the sideline to see what happens? Well maybe yes, and maybe no. Sound a bit ambiguous? There's good reason. In spite of the fact that facsimile is a 140-year-old technology, it's still relatively new to the business world and certainly a rarity in the home office environment.

According to a recent study by Personal Technology Research, a Boston-based market research firm, there are between 500,000 and 550,000 facsimile devices in use today. That includes every variety — from fax-phones to fax networks in large corporations. By contrast, the installed base for personal copiers is twice that size. As for faxes in homes, there's only about 10,000, according to Personal Technology.

The point is, you won't get rich selling personal fax machines. But, if you want to be perceived as a one-stop home office retailer, with expertise in *all* the technology, then carrying one or two skus might be a good idea. Large retailers led by Sears are already doing it, while others like Best Products and Highland Appliance are playing a game of wait and see.

Canon introduced its Faxphone last June, and began shipping in the summer. Nobody wanted to give Canon the same head start it got with its personal copier, so at least a half a dozen other manufacturers rushed to bring personal faxes or fax-phones to market. Of course, nobody brings out a products and tells us it's not going to sell.

Facsimile suppliers usually say something like this when asked about the market "If we didn't think it was going to do well we wouldn't bring one out." When statements like these start flying around I always find myself looking to see if the safety net is up.

Let's take a quick look at some numbers and see how researchers view the market's potential. According to Personal Technology, 180,000 facsimile machines will be sold in 1987. "Maybe 10 to 15 percent of that could be to the home office marketplace," guesses Casey Dworkin, general manager.

Dataquest, of San Jose, California is more optimistic, predicting that some 35,000 units in the under $2,000 price range could wind up in home offices this year, and as many as 120,000 by 1990. So, the personal fax market looks pretty skimpy for the next several years.

I think there are two reasons for the limited market: price and market penetration. Canon's Faxphone has a suggested retail price tag of $1,995. Forthcoming products from Toshiba (April), Northwestern Bell (April) and Sharp (July) also are slated to sell in the $2,000 range.

Plunking down $2,000 is not a casual purchase, particularly for a home office or small business. Even the manufacturers, when pushed, admit that prices must drop considerably before the market can break out of a narrow niche.

What is an acceptable price for personal fax devices? Dan Ferrazza, field sales manager for Silver-Reed America, Inc. believes just under $1,000 would do the trick in the near term: "At retail, we have to deliver it for that amount and to retailers in the $600 to $700 range for the home office market to take off," he says. In the long term, most manufacturers and retailers agree that $500 is the "magic" price point.

Ferrazza's comment is particularly interesting because Silver-Reed claims it has a fax/copier it could sell for $995. But the company's Japanese fathers want a quantity commitment to hit that price and Silver-Reed America apparently isn't ready to stick its neck out — just yet. The machine may, however, come to market under the Northwestern Bell label.

The unnamed fax/copier was exhibited at Northwestern Bell's booth during Winter CES, and an OEM deal is being hammered out as we go to press. If it comes to pass, retail pricing could be in the $1,100 to $1,200 range, according to Mark Gurvey, facsimile product manager at Northwestern Bell.

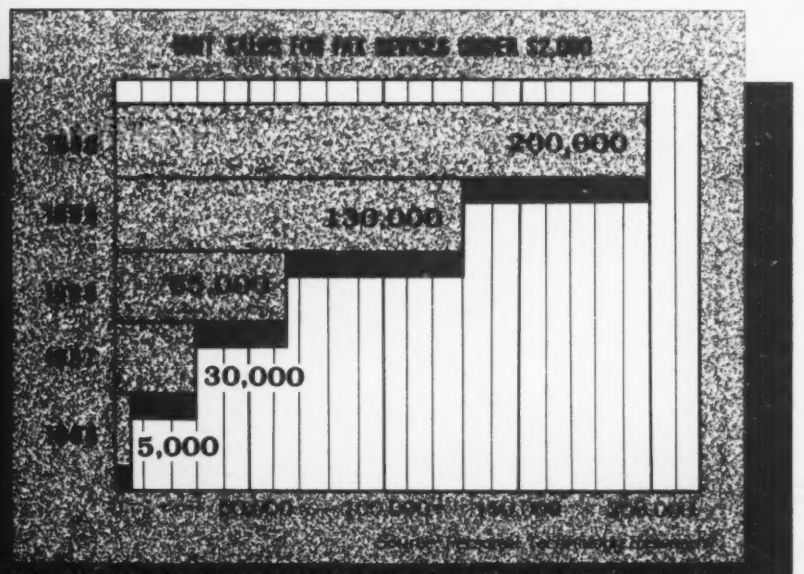
Market penetration is a hurdle for personal fax because facsimile isn't a standalone technology, like copiers, typewriters and so on. You need one on both the sending and receiving ends. Therefore its usefulness is dependent on how many other people out there have a fax machine. This is the same problem that slowed growth in the electronic mail business.

So, how fast the market grows will depend on how fast the price drops and how fast the public goes for the technology. The long term potential is further clouded by a newer technology that allows computers to act like fax machines. Already there are add-on boards for personal computers costing under $1,000 that allow documents to be faxed.

There are personal computer scanning devices too — ranging from $200 to more than $10,000 — that allow users to send images electronically to other computers. Known as "virtual" facsimile, such devices are expected to zoom into popularity. According to a recent study by International Resource Development Inc. of Norwalk, Connecticut, by 1991 the installed base of virtual fax will be 62.5 percent larger than the installed base for standard fax machines. Yet today, the regular fax installed base is 18 times larger.

The bottom line is that nobody really knows how good a market personal fax will be. The safest approach may be to stock one manufacturer and one to two skus to test the waters. As Eugene Mondry of Highland Appliance puts it: "Sometimes it's important to let people know you sell something, even if you don't sell a lot of it — it's a way to establish your reputation. Then again, you often don't know how good you'll do until you try. It's similar to the approach we took with VCRs when they were selling for $2,000, and look how they're doing now." □

by Henry Fersko-Weiss



Note: These figures, especially in the later years, cover fax devices costing under $2,000, including those other than personal fax machines.

(Henry Fersko-Weiss regularly covers the home office market. A former editor for Personal Computing magazine, he is a regular contributor to U.S. News & World Report and MART's sister publication Computer Dealer.)

Editorial Evaluation
Please circle the appropriate number on the Retailer Service Card. Is the subject of this column of interest to you?

YES—214 *NO—215*

Faxing on the run

One of the more intriguing new personal fax machines is the Travelfax, from Northwestern Bell Phones. List priced at $1,395, the Travelfax weighs less than eight pounds, and comes with an AC adaptor/battery charger and hard carrying case.

By using an acoustic coupler, users can fax documents from virtually anywhere — a pay telephone, a hotel room, even a cellular mobile phone. One charge of the battery pack takes two-and-a-half hours and allows the user to send or receive up to 15 pages. The Travelfax is G2 compatible, but it will also communicate with G3 machines that are G2 compatible.

For use with cellular phones, an optional car battery adapter that plugs into the cigarette lighter is available. □